

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

In the Matter of	)	
	)	
Federal-State Joint Board on Universal Service	)	WC Docket No. 05-337
Seeks Comment on the Merits of Using Auctions	)	
To Determine High-Cost Universal Service Support	)	

**COMMENTS OF THE  
NEW JERSEY BOARD OF PUBLIC UTILITIES**

The New Jersey Board of Public Utilities (“Board”) submits the following comments in response to the Public Notice (“Notice”) released by the Federal Communications Commission (“FCC” or “Commission”) on August 11, 2006 and published in the Federal Register on August 25, 2006. In this Notice, the Federal-State Joint Board on Universal Service (“Joint Board”) seeks comment from interested parties on the use of reverse auctions (competitive bidding) to determine high cost universal service funding for eligible telecommunications carriers.

**SUMMARY**

The Joint Board seeks comment on the use of competitive bidding as a tool to further the goals of the Communications Act of 1934 (“Act”), the FCC’s universal service goals, and any other criteria or issues described in the previous Public Notice issued by the FCC in August 2004. As described in the Notice,

reverse auctions, or competitive bidding refers to the process whereby the bidder specifies the amount of money it must receive to provide universal service in a given area for a given period of time. Comments are sought by the Joint Board on a variety of issues concerning competitive bidding, including the appropriateness of using auctions to identify the recipients and funding level for recipients of universal service funding.

Parties are also asked to comment on the general legal issues accompanying the use of competitive bidding to administer certain functions in the universal service program, and their ability to preserve and advance universal service and remain consistent with important statutory goals of the Act, such as rate comparability and affordability. Comments are also sought on the appropriate roles of the FCC, State commissions, and the Universal Service Administrative Company (USAC) in the administration of the auction process, oversight of the winning bidder(s), the distribution of funds, and the existing process for the designation of eligible telecommunications carriers (ETCs) under the Act.

The Notice solicits responses to practical questions as to how auctions would actually function as a part of the universal service program. Parties are requested to comment on the optimal structure for the auction process and the bids, including the term, the appropriate service quality baseline, the selection process for the winning bid, the responsibilities of the winner and the appropriate design of the auction to target support to the areas in need of support in the most effective manner. In addition, parties are asked to comment on how incumbent

local exchange carriers (ILECs) or competitive ETCs currently receiving universal service funds in an area should be treated if a competitive bidding process is instituted. Parties are encouraged to provide comment on how competitive bidding could be utilized to further address any other criteria or issues related to the universal service support described in the Joint Board's August 2004 Public Notice<sup>1</sup> and to supplement the record with any additional issues or facts that have been raised since previous comment periods have closed in that proceeding.

### **COMMENTS**

The Board welcomes the opportunity to express our views on this latest request for comments related to the Federal Universal Service Fund (Fund). In previous comments, this Board had continually and consistently implored the Commission to develop and implement significant structural change to the Fund. As we have stated, the current program has grown beyond the intent of the Fund's stated goal of ensuring the availability of affordable telephone service for all Americans who wish to have such service.

The high cost portion of the Fund has grown exponentially in the last 20 years from \$56 million in 1986 to a projected \$4 billion in 2006. This growth must not continue and the high cost portion of the Fund must be capped or reduced. Otherwise, the consumers in net contribution states such as New Jersey, who already pay more than their fair share to support this laudable public policy goal,

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<sup>1</sup> 69 Fed.Reg. 52917 (September 3, 2004).

will be further burdened with no tangible benefit returning to these end users. According to Commission reports, in 2004, New Jersey contributed 3.74% of the total fund, but received only 0.80% of the monies distributed from the Fund, for a net contribution in excess of \$170 million. This burden on our consumers cannot and should not continue to increase. The consumers in more urban states such as ours should not be expected to continue to subsidize telephone service for rural consumers from a small number of states.

With respect to this specific request for comments, the Board is encouraged that the Commission is seeking new, alternative methods by which monies are distributed from the Fund. The concept of a reverse auction is appealing, however, only if the auction limits the number of supported networks in each area. As described above, our main concern with respect to high cost universal service support is the astronomical growth in this portion of the Fund. The number of supported networks is directly linked to the increase, particularly in the last several years. The Fund has been inappropriately utilized in certain areas as a means of promoting competition. This must not continue. Therefore, in order to have a successful auction, where carriers compete for support, there must be a small limited number of auction “winners”, otherwise there will be a continuation of the current process which permits large numbers of eligible carriers in a given area to draw monies from the high cost portion of the Fund, thereby perpetuating the unchecked growth of high cost support. If left unchecked, we are concerned that the already disproportionate burden placed on New Jersey ratepayers will become much greater.

## CONCLUSION

The time has come to enact significant structural changes to the Federal Universal Service Fund so that the burden of supporting this program applies in a more equitable manner. Contributions should be made by all that benefit from the current and future telecommunications networks regardless of the technology utilized to access the network and should be based on working telephone numbers. Distributions should be limited to only those consumers and service providers who are truly in need and only to ensure affordable access. A reverse auction, if limited to a small number of winners, appears to be a step in the right direction.

Respectfully submitted,

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DATED: October 6, 2006

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JEANNE M. FOX  
PRESIDENT

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